

July 1989

FINANCIAL AUDIT

National Economic Commission's 1988 and 1989 Financial Statements





United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

B-234428

July 24, 1989

To the President of the Senate and the
Speaker of the House of Representatives

This report presents the results of our audit of the National Economic Commission's statements of budgets, obligations, and outlays for the periods of December 22, 1987 to September 30, 1988, and October 1, 1988 to March 31, 1989. Our opinion on the Commission's financial statements, which were prepared on the federal budgetary basis of accounting, is without qualification. This report also contains our reports on the Commission's internal accounting controls and on its compliance with laws and regulations.

The National Economic Commission was created on December 22, 1987, by section 2101 of the Omnibus Budget Reconciliation Act of 1987 (Public Law 100-203) for the purpose of making specific recommendations to reduce the federal budget deficit. Section 2105(c) of the act provides GAO authority to conduct an audit of the financial books and records of the Commission. Our report (GAO/AFMD-89-51), published in the Commission's report to the Congress, indicated that through December 31, 1988, the Commission was in compliance with section 2105(b) of the act. That section provided that total expenses of the Commission shall not exceed \$1 million. However, not all Commission expenses were incurred or available for audit until subsequent to the Commission's termination.

This is our final audit report on the Commission. In accordance with its enabling legislation, the Commission ceased to exist on March 31, 1989, 30 days after the March 1, 1989 issuance of its report to the President and the Congress. Total expenses of the Commission did not exceed \$1 million.

We are sending copies of this report to the Director of the Office of Management and Budget and the Secretary of the Treasury.

A handwritten signature in cursive script, reading "Charles A. Bowsher".

Charles A. Bowsher
Comptroller General
of the United States

In our opinion, the financial statements referred to above present fairly, in all material respects, the budgets, obligations, and outlays of the National Economic Commission for the periods from December 22, 1987 to September 30, 1988, and October 1, 1988 to March 31, 1989, on the basis of accounting described in the preceding paragraph.

A handwritten signature in cursive script, reading "Charles A. Bowsher", followed by a horizontal line and a small flourish.

Charles A. Bowsher
Comptroller General
of the United States

April 28, 1989

of internal accounting controls taken as a whole. Our study and evaluation did not disclose any internal control weaknesses which we considered to be material in relation to the audited financial statements.

Statements of Budgets, Obligations, and Outlays

Expenditures	December 22, 1987 (date of inception) to September 30, 1988			October 1, 1988 to March 31, 1989 (date of termination)		
	Budget (note 3)	Obligations	Outlays	Budget (note 3)	Obligations	Outlays
Personnel salaries & benefits (note 4)	\$99,000	\$99,299	\$98,099	\$130,000	\$117,105	\$117,105
Building rent	20,000	20,000	0	20,000	24,000	0
Equipment rental & utilities	18,800	13,828	9,107	18,000	16,828	12,328
Travel	16,500	6,265	3,574	42,000	3,804	3,618
Equipment purchases	50,000	40,776	35,838	50,000	1,940	1,940
Printing	5,000	4,401	901	103,000	29,984	0
Supplies	6,500	6,413	6,413	6,000	4,676	3,999
Other	17,800	14,030	10,720	81,300	37,237	20,621
Unbudgeted	66,400	0	0	249,700	0	0
Total	\$300,000	\$205,012	\$164,652	\$700,000	\$235,574	\$159,611

The accompanying notes are an integral part of these statements.

Committee. Their salaries and benefits were nonreimbursable by the Commission, as stipulated in the enabling legislation.

3. Appropriations

Section 2105 of the Omnibus Budget Reconciliation Act of 1987, Public Law 100-203, provided that the total expenses of the Commission shall not exceed \$1,000,000 and shall be paid from funds available to the Secretary of the Treasury. The Secretary made appropriations of \$300,000 available for the fiscal year ended September 30, 1988, and appropriations of \$700,000 available for the fiscal year ended September 30, 1989.

4. Employee Benefit Plans

The majority of the Commission's employees participated in the Social Security Benefits Plan of the Federal Employees' Retirement Systems. The Benefits Plan is a defined contribution retirement plan, and contributions to it are based upon a percentage of employees' gross pay. Such contributions for the periods December 22, 1987 to September 30, 1988, and October 1, 1988 to March 31, 1989, were \$6,226 and \$7,067, respectively.

One Commission employee was enrolled in the Civil Service Retirement System, a defined benefit pension plan. System contributions are based on 7 percent of the employee's gross pay, to which the employer makes a matching contribution. Commission pension contributions for the period December 22, 1987 to September 30, 1988, and October 1, 1988 to March 31, 1989, were \$452 and \$705, respectively.

The Commission does not report Social Security or Civil Service Retirement System assets, actuarial present value of accumulated plan benefits, or unfunded liabilities applicable to its employees, since these data are maintained by the Office of Personnel Management and are not allocated to individual departments and agencies.

Requests for copies of GAO reports should be sent to:

**U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877**

Telephone 202-275-6241

The first five copies of each report are free. Additional copies are \$2.00 each.

There is a 25% discount on orders for 100 or more copies mailed to a single address.

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents

Notes to Financial Statements

1. Organization and Significant Accounting Policies

The National Economic Commission was created by section 2101 of the Omnibus Budget Reconciliation Act of 1987, Public Law 100-203, on December 22, 1987. The Commission was created to make specific recommendations regarding “(1) methods to reduce the Federal budget deficit while promoting economic growth and encouraging saving and capital formation and (2) a means of ensuring that the burden of achieving the Federal budget deficit reduction goals of the United States does not undermine economic growth and is equitably distributed and not borne disproportionately by any one economic group, social group, region or state.”

The enabling legislation required that the Commission issue its report to the President and the Congress on March 1, 1989, unless the President ordered an extension. The report summarizing the Commission’s findings and recommendations was issued on March 1, 1989.

The law also established that the Commission cease to exist 30 days after submission of its report. The Commission ceased to exist on March 31, 1989.

Basis of accounting

The General Services Administration’s (GSA) Office of Finance and Administration in Kansas City, Missouri, performed the Commission’s financial accounting using the federal budgetary basis of accounting for budgets, obligations, and outlays. Because of its limited term of existence, the Commission did not prepare statements of financial position capitalizing and depreciating assets and accruing payroll, benefits, or unfunded annual leave. Accordingly, the financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

2. Intergovernmental Activities

GSA provides reimbursable services to the Commission, including payroll, personnel, accounting, and bill paying. GSA’s fee for these services amounted to \$7,800 for fiscal year 1988 and \$8,026 for fiscal year 1989.

Three employees were on detail to the Commission: two were from the Office of Management and Budget and one was from the Senate Budget

Report on Compliance With Laws and Regulations

We have audited the financial statements of the National Economic Commission for the period of December 22, 1987 to September 30, 1988, and October 1, 1988 to March 31, 1989, and have issued our opinion thereon. Our audit was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances.

The management of the Commission was responsible for its compliance with laws and regulations. In connection with our audit, we selected and tested transactions and records to determine compliance with laws and regulations, noncompliance of which could have had a material effect on the Commission's financial statements.

As part of our audit, we reviewed and tested compliance with sections 2104(e) and 2105 of the Omnibus Reconciliation Act of 1987 (Public Law 100-203) and the travel regulations issued by the General Services Administration. In our opinion, the National Economic Commission complied with the terms and provisions of the law and regulations for the transactions tested that could have materially affected its financial statements. In connection with our audit, nothing came to our attention that caused us to believe that the Commission was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

Report on Internal Accounting Controls

We have audited the financial statements of the National Economic Commission for the periods December 22, 1987 to September 30, 1988, and October 1, 1988 to March 31, 1989, and have issued our opinion thereon. As part of our audit, we made a study and evaluation of the system of internal accounting controls to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards.

The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures for expressing an opinion on the National Economic Commission's financial statements. For purposes of this report, we have classified the significant internal accounting controls into the following categories:

- budget,
- disbursement, and
- financial reporting.

Our study of internal accounting controls included all of the control categories listed above, except we did not test the internal accounting controls over any of the functions within each category because it was more efficient to expand our substantive audit tests.

The Commission's management was responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, estimates and judgments by management were required to assess the expected benefits and related costs of control procedures. The objectives of a system of internal accounting controls are to provide management with reasonable assurance that (1) obligations and costs are in compliance with applicable laws, (2) funds, property, and other assets are safeguarded against waste, loss, and unauthorized use or misappropriation, and (3) budgets, obligations, and expenditures applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports and to maintain accountability over Commission assets. Because of inherent limitations in any system of internal accounting controls, errors and irregularities may nevertheless occur and not be detected.

Our study and evaluation, made for the limited purpose described in the second paragraph, would not necessarily disclose all material weaknesses in the system of internal accounting controls. Accordingly, we do not express an opinion on the National Economic Commission's system

**Comptroller General
of the United States**

B-234428

To the President of the Senate and the
Speaker of the House of Representatives

We have audited the accompanying statements of budgets, obligations, and outlays of the National Economic Commission for the periods of December 22, 1987 (the Commission's date of inception) to September 30, 1988, and October 1, 1988 to March 31, 1989 (the Commission's date of termination). These financial statements were the responsibility of the Commission's management. Our responsibility is to express an opinion on the financial statements based on our audit. In addition to this report, we are also reporting to you on our study and evaluation of internal accounting controls and compliance with laws and regulations.

We conducted our audit pursuant to section 2105(c) of the Omnibus Reconciliation Act of 1987 (Public Law 100-203) and in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Commission's financial statements are prepared on the federal budgetary basis of accounting, as described in note 1. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

Contents

Letter	1
Opinion Letter	4
Report on Internal Accounting Controls	6
Report on Compliance With Laws and Regulations	8
Statements of Budgets, Obligations, and Outlays	9
Notes to Financial Statements	10

Abbreviations

GAO	General Accounting Office
GSA	General Services Administration

